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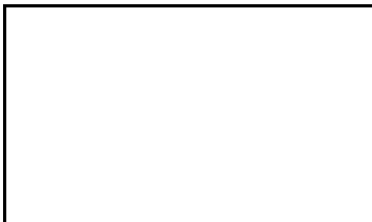
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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 21 September 1977

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National Intelligence Daily Cable for Wednesday, 21 September 1977.

The NID Cable is for the purpose of informing senior US officials.

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Japan

USSR-SOMALIA: Military Aid Cut

25X1 [] According to the Soviet Ambassador to Somalia, the USSR is apparently moving closer to cutting off all military aid to Somalia in hopes of curtailing Somali military activity in Ethiopia.

25X1 [] In a conversation with Ambassador Loughran on Monday, Soviet Ambassador Samsonov said that, although the USSR continues to honor existing agreements with Somalia, it has stopped supplying the "strategic armaments" the Somalis need to continue their war with Ethiopia. He said the Soviets are now supplying Somalia only with nonessential, previously contracted military hardware and that no agreements with the Somalis will be renewed until Somali troops are withdrawn from Ethiopian territory. The US Ambassador interpreted the reference to "strategic armaments" to mean tanks, aircraft and armored personnel carriers.

25X1 [] Samsonov implied that the decision to stop deliveries of "strategic armaments" was made during Somali President Siad's visit to Moscow in late August. He said that Siad underestimated the Soviet commitment to Ethiopia and refused to meet their conditions, leaving Moscow little choice.

25X1 [] Samsonov argued that the Soviet commitment to Ethiopia is real because Ethiopia's population, size, mineral wealth, agricultural base, and commitment to socialism makes it a vitally important African state which, unlike Somalia, has a bright future.

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[REDACTED] Samsonov took note of Somalia's attempts to locate new suppliers, and argued that while Siad's recent trips to a number of Arab states were obviously aimed at finding new sources of support, it is unlikely that the Arabs could provide enough of the type of weapons Somalia needs to continue its efforts in the Ogaden. He conceded that China might offer Somalia arms but said that this was really not a viable alternative for the Somalis.

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SOUTH AFRICA: General Elections

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[redacted] South African Prime Minister John Vorster has called for a national election on 30 November. Vorster is clearly seeking to reinforce his mandate in the face of international criticism; the next general election was not due until 1979 and he faces no internal political challenge.

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[] Vorster also wants popular support for his plans for a new constitutional system of government and intends to take advantage of the current disarray in the political opposition.

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[] Vorster told a press conference yesterday that attempts by foreign governments and organizations to dictate South Africa's domestic policies were a factor in calling the election. He said it is time for the electorate to protest foreign demands in order to show the world that the government accurately reflects white South African opinion. Vorster said he also wants support for proposals for a new constitution giving wider rights to Coloreds and Asians.

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[] Recently, the Prime Minister and members of his cabinet have spoken out strongly against external pressure, and they have been exhorting the nation to prepare for increasing isolation and possible sanctions, themes that will play a large part in the ruling National Party's political campaign. Calls for white unity will also increase as the National Party tries to solidify further its control of the government by seeking the votes of the fragmented white opposition.

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[] Vorster won a large overall majority in the last election, which took place in 1974, long before serious racial unrest began to plague the country. If he can increase this majority in the November election, it will harden his resolve not to be intimidated by the West. []

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NIGERIA: Garba Under Attack

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[] *Nigerian Foreign Minister Garba has come under increasingly sharp criticism in recent weeks by the Nigerian press for his recent warm praise of UN Ambassador Young and for his strong public support of the UK-US initiative on Rhodesia. The attacks on Garba eventually could have an adverse effect on the position of Head of State Obasanjo.*

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[] The criticism has been spearheaded by the *Daily Times*, a national paper that has long had an anti-US bias. The Nigerian press acts independently of the government at times; editorials do not always reflect the official line. So far, no one in the collegially run government has felt the need to call off the attacks.

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[redacted] The criticism of Garba could be a calculated attempt by his many enemies to embarrass and remove him.

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[redacted] The attack may also be an effort by the press to project an image of Nigerian independence on the foreign scene in an effort to offset the government's recent support of US initiatives. In any case, Nigerians are sure to continue voicing doubts about US policy toward southern Africa until they are satisfied that the policy has yielded concrete results.

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[redacted] We are not certain whether the attacks on Garba are being encouraged by fellow members on the ruling Supreme Military Council. Many influential Nigerians in the press, public life, and the government remain skeptical of US motives toward Africa and Nigeria. They are concerned that the country's non-aligned image and aspirations to African leadership may be compromised by too close an association with the US.

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[redacted] Some have opposed the substantial improvement in Nigerian-US relations that Obasanjo initiated last February. They want Nigeria to maintain greater distance in relations, particularly in the event US initiatives in southern Africa fail. Garba could then be made a convenient scapegoat, and Obasanjo, who has been gaining in political strength, could find himself in a weakened position.

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PORTUGAL: Economic Policy

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[redacted] //Disagreement within Portugal's minority Socialist government over the weak austerity measures announced last month may require Prime Minister Soares to make more extensive changes in the government this fall than he reportedly intended. Finance Minister Medina Carreira, who advocated fairly stiff economic measures, has said he will leave office no later than October, and some disgruntled subordinates will probably follow his lead. Without an economic team that is willing to take strong action to promote recovery, the Socialists will have even more difficulty negotiating with the International Monetary Fund and working out a legislative agreement with opposition parties.//

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[redacted] //Medina Carreira told Ambassador Carlucci last week that he was tired of arguing for strong measures and losing out to cabinet members who are less involved in financial matters and who appeal to Soares' optimism. He said Soares prefers to believe such advisers as Economic Planning Minister Sousa Gomes, who contend that development will continue even without devaluation and that the balance-of-payments problem will eventually take care of itself.//

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[redacted] //In opting for increased interest rates and a foreign-exchange float, Soares apparently hoped to avoid the public criticism that would follow a decision to devalue. He has provoked criticism from across the political spectrum and has expended valuable political capital on measures that are too weak to attract much capital back into the country or to promote substantial investment. Rumors of a devaluation had prepared the public for such an announcement, and many now suspect that another package of austerity measures is inevitable.//

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[redacted] //Soares told Ambassador Carlucci this week that he had received conflicting advice on devaluation and was not convinced by the central bank's argument that devaluation would increase exports. Soares further said that if the IMF insists that Portugal devalue to obtain the stand-by credit, then he will do so.//

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[redacted] //Medina Carreira has told Soares he cannot remain in a government that has policies he does not support. His resignation will complicate the government reshuffle rumored for this fall, but Medina Carreira expects Soares to select another "optimist" to round out his economic team. Some lower level officials are likely to follow the Finance Minister's lead, and the head of the central bank is also said to be considering resignation.//

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[redacted] A weakened economic team will complicate Socialist efforts to maintain single-party rule. Soares apparently plans to seek a multiyear agreement on a legislative program with the centrist Social Democrats and to concede some posts in a reshuffled government to Social Democrats who would serve as individuals, not as party representatives.

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[redacted] The Social Democrats are certain to demand concrete concessions for their votes, reportedly including Socialist approval for their entry into the Socialist International. They

reportedly hope to force an understanding with the Socialists within six months and expect the continuing economic decline to buttress their position.

(C) President Eanes, meanwhile, is showing more interest in the economy and has created a special working group to analyze the situation and to prepare options for him to use in discussions with the parties.

BRIEFS

PLO

The Palestine Liberation Organization Central Council, following a meeting in Damascus that concluded yesterday morning, issued a final communique implying the PLO's continued strong interest in establishing a dialogue with the US. According to press reports, the Council examined the Department of State's "new step"--its recent comments on the importance of resolving the Palestinian issue as part of an Arab-Israeli settlement.

The Council noted that the US remarks failed to refer to Palestinian "national rights," but it did not employ the anti-US rhetoric used following the previous Council meeting in late August. Also unlike the previous communique, this statement failed to mention the PLO's stand toward UN Security Council Resolution 242, suggesting that the organization continues to consider how best to work around the obstacles created by its nonacceptance of the resolution.

Japan

Japan announced an import promotion package yesterday designed to reduce its current-account surplus, which will exceed

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\$7 billion this year. The new measures will have little impact in 1977, but they could hold down a projected increase in the 1978 surplus.

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[] Under the new program, the government will increase oil stockpiles, accelerate imports of uranium ore, and help finance purchases of foreign aircraft. Japan also will speed up imports of feedcorn and sorghum and increase import quotas on some other agricultural goods. In addition, the government will ask private industry to increase stockpiles of copper and zinc; firms will be reluctant to do so because of high inventories and sluggish demand.

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[] The impact of the package will depend largely on the extent of quota liberalization. If Japan doubles all existing quotas, imports could expand by roughly \$800 million. []

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